

MEMO

DATE: February 2, 2006

TO: Regional Council and Transportation and Communications Committee

FROM: Government Affairs Staff

SUBJECT: Overview of Major State Infrastructure Proposals: S.B. 1024 and the Governor's Bond Proposal

SUMMARY:

Two major State Infrastructure Bond Proposals are expected to move quickly through the State legislature: the Safe Facilities, Improved Mobility, Disaster Preparedness and Clean Air Bond Act of 2005 (S.B. 1024) introduced by Senator Don Perata on February 22, 2005 and the Strategic Growth Plan introduced by the Governor just a few weeks ago. The purpose of these measures is to provide bond revenue for infrastructure improvements throughout the state of California. S.B. 1024 and the Governor's Strategic Growth Plan are expected to go into conference, where a hybrid proposal will be crafted. We expect a lot of activity on this bill over the next 60 days. The following information briefly explains the current provisions of each bill and the closing chart explains each proposal as it pertains to SCAG's priorities and efforts in Sacramento. Please note that these provisions may change as the bill is reviewed and debated in the 2006 Legislative session.

BACKGROUND:

S.B. 1024 (Perata)

The Safe Facilities, Improved Mobility, Disaster Preparedness and Clean Air Bond Act of 2005

The Safe Facilities, Improved Mobility, Disaster Preparedness and Clean Air Bond Act of 2005 (SB 1024), would place before voters a general obligation bond to invest \$10.275 billion in California's infrastructure. The funds would be allocated as follows:

\$1.2 billion for flood protection in California. California levees provide protection for 500,000 people, 2 million acres of prime farmland, and 200,000 residential and commercial structures, with a combined value of \$47 billion. Years of deferred maintenance have led experts to question the structural integrity of California's levees. SB 1024 provides \$1 billion for the inspection and strengthening of California's 1,600 miles of project levees. An additional \$200 million is provided to local flood control agencies to provide flood protection on local streams, rivers and creeks.

\$2.3 billion to repay transportation loans to jumpstart transportation projects. The bond repayment would keep faith with California voters' desire to devote transportation taxes to transportation purposes, and would relieve the General Fund of an obligation otherwise due in FY 2008-09. The bond revenue would be used to jumpstart 141 high-priority projects that have been stalled in recent years for lack of funding. These are important congestion-reducing projects located in every urban region of the state. It would also provide money for transit, local streets, and the State Transportation Improvement Program (STIP).

\$1.5 billion for regions to fund high priority projects. State Transportation Improvement Program (STIP) funds go to every county in the state (see chart B). A new STIP is adopted every two years and contains projects selected by the regions as their highest priority transportation projects. The last two STIP cycles

MEMO

have added no new projects to be constructed in California due to lack of available funds. The new 2006 STIP, again, is expected to be wholly deficient. The bond funds would allow regions and Caltrans, for the first time in four years, to add new, high-priority projects to the STIP.

\$2.5 billion to relieve traffic and improve security and air quality at California ports. In 2003, \$407 billion worth of U.S. trade went through California's sea, air and land ports. Forty percent of the nation's imported goods travel through the ports of Los Angeles and Long Beach alone. Port operations in California employ 1 in 7 Californians, but present difficult issues such as truck congestion, diminished air quality, and security concerns. SB 1024 provides \$2.5 billion to address these issues. Two billion would go to making highway, rail, or port infrastructure improvements in the state's most heavily congested trade areas. Four hundred million would go to the Carl Moyer Air Quality Fund to replace high polluting diesel engines on vehicles used in the operation of ports with cleaner technologies. One hundred million would go as grants to ports for security improvements.

\$1 billion for an incremental approach to High Speed Rail. The bond would provide \$200 million to five separate corridors in California to prepare for the possibility of developing a high speed rail system that would increase the efficient movement of goods through the state. The funds could be used for environmental work, right-of-way acquisition, and grade separations. In addition to high speed rail, these investments will improve passenger and freight rail flow in California. SB 1024 takes an incremental approach to high speed rail and proposes to repeal and replace the pending high speed rail bond.

\$1.25 billion in funds to provide incentives for more infill and transit-oriented development in California. Soaring housing costs have forced working families to move far away from their jobs to afford a home. This leads to increased commute times, more air pollution, increased traffic, and less time for families to be together. While families are able to find more affordable housing at the outskirts, research shows their savings on housing are offset by their increased transportation costs. As a result, these families realize little overall savings. SB 1024 provides \$275 million to promote projects that locate housing, retail and office centers within ¼ mile of transit stations. The bill would provide funds for infrastructure costs related to these types of projects and offer loans to developers siting affordable housing near transit stations. The remaining \$975 million for infill and housing incentives would be used as follows:

- \$425 million for infill incentive grants for capital outlay for infrastructure that includes water and sewer hook-ups, related transportation improvements, and the development or rehabilitation of urban parks.
- \$200 million for grants from the Secretary of Resources for acquisition of wildlife habitat, open space and easements on agricultural land, as mitigation for the policies adopted in a region's growth plan.
- \$200 million to rehabilitate multi-family housing in a designated infill area.
- \$100 million for grants for local agencies to improve upfront planning necessary for urban infill development.
- \$50 million to clean up vacant sites in urban areas so they can be made useful to accommodate future growth.

\$425 million for Affordable Housing Incentive Program. This program will improve neighborhood streets and roads for local governments that meet their share of the regional housing need.

MEMO

\$100 million for the Environmental Enhancement and Mitigation Program. The program funds "green" transportation projects like landscaping near freeways, bike trails, greenbelts, etc.

Governor's Strategic Growth Plan

A cornerstone of the Governor's 2006-07 Budget is the Strategic Growth Plan, which outlines the first 10 years of a 20 year investment in all sectors of the economy and public services. The plan seeks to implement \$222 billion in infrastructure investments. Of this amount, \$107 billion is targeted for state system transportation purposes over the next 10 years. \$68 billion of the total infrastructure investment will be financed with General Obligation (GO) bonds through a series of elections in two year increments from 2006 through 2014. The transportation portion of the \$68 billion GO bond revenues is \$12 billion.

The table below illustrates the General Obligation Bonds Election Year Proposals:

Program	2006	2008	2010	2012	2014	Totals
Transportation/Air Quality	\$6.0	\$6.0	-	-	-	\$12.0
Education	\$12.4	\$4.2	\$7.7	\$8.7	\$5.0	\$38.0
Flood Control/Water	\$3.0	-	\$6.0	-	-	\$9.0
Public Safety	\$2.6	-	\$4.2	-	-	\$6.8
Courts & other infrastructure	\$1.2	-	\$1.0			\$2.2
Total	\$25.2	\$10.2	\$18.9	\$8.7	\$5.0	\$68.0

(All Dollar Amounts Are In Billions)

The Transportation portion of the above GO Bond Revenues shall be allocated as follows:

2006 Transportation Bond (2006-07 through 2010-11) - \$6 Billion

- \$1.7 billion to increase highway capacity;
- \$1.3 billion for safety and preservation improvements to the state highway system;
- \$1 billion for port improvements, mitigation related to programs and projects that reduce diesel emissions, and mitigation of other community impacts;
- \$1 billion for goods movement infrastructure;
- \$400 million for intercity rail expansion;
- \$300 million for corridor mobility improvements;
- \$200 million for Intelligent Transportation Systems;
- \$100 million to expand park and ride and bicycle/pedestrian improvements.

2008 Transportation Bond (2011-12 through 2016-17) - \$6 Billion

- \$3.6 billion for highway projects providing congestion relief and meet or exceed performance measures for improved corridor performance;
- \$2 billion for goods movement infrastructure;
- \$200 million for highway safety and preservation projects;

MEMO

- \$100 million for additional intercity rail expansion
- \$100 million to expand park and ride and bicycle/pedestrian improvements.

S.B. 1024 (Perata) and Governor's Strategic Growth Plan Comparison Chart

SCAG Adopted Priorities*	Benefit to the Region	S.B.1024	Governor's Bond	Actions
Protect Proposition 42 Funds	Proposition 42 funds are designated for transportation purposes. By protecting these funds, we can protect dollars that should be used for investment into transportation infrastructure	\$2.3 billion in Prop 42 repayment provisions, but not permanent protection	Creates a constitutional amendment to permanently protect Prop 42 and accelerates repayment	Amend S.B.1024 to ensure permanent protection of Proposition 42
Allocate the State's transportation funds to ensure an equitable distribution throughout the state	The SCAG region is home to approximately 50% of the State's population and we must supply the transportation demand for this population. By ensuring an equitable distribution of funds throughout the state, we are in a better position to provide for the transportation needs of our cities and counties	No project or formula allocations other than the State High Speed Rail for \$1 billion, of which approximately \$600 million is for the SCAG region.	Of the projects listed, 39% of the total flows to the SCAG Region	Amend both proposals to ensure that the distribution of funds statewide be based on population and, for goods movement related funds, on freight movement
Provide for leveraging in order to obtain private sector and other funding	To reduce reliance on diminishing State and Federal transportation funds, we must be able to use these funds to generate additional financing from other sources, which can exponentially increase the benefits realized from public transportation investment	Promotes Public-Private partnerships with relation to "transit villages," where housing, retail and office centers would be located within 1/4 mile of transit stations	A total of \$48 billion in new funding is proposed from leveraging existing funds and new bond funds to attract increased federal, private, and local funding.	Amend S.B.1024 to specify that bond funds should be leveraged to generate additional financing, and support emphasis on leveraging in the Governor's proposal
Appropriately fund goods movement and ports in SCAG Region	Goods movement has a profound effect on all sectors of the economy and the effects can be felt most readily here in the SCAG region. Due to the significant needs of the growing goods movement industry, we must ensure that planned goods movement projects are	\$2.1 billion for port/goods movement includes funding for freight movement in and out of seaports, landports and airports	\$3 billion to expand Trade Corridors and improve infrastructure	Amend proposals to add goods movement allocations based on freight movement and place a greater emphasis on the use of leveraging any bonded funding

MEMO

	fully funded to reduce community impacts and congestion			
Facilitate Public/Private Partnerships to implement "business plan" approaches in developing infrastructure	By involving private sector support in transportation and infrastructure projects, we can further leverage public sector funds and, in some cases, produce additional revenues for reinvestment	Promotes Public-Private partnerships with relation to "transit villages," where housing, retail and office centers would be located within 1/4 mile of transit stations	Gives authority and encourages the use of Public-Private partnerships for revenue-backed projects.	Amend both proposals to add an emphasis on the use of Public-Private Partnerships for all revenue-backed projects, including projects that integrate transit, housing and business developments as indicated in SB1024
Provide financial incentives for cities and counties to encourage infill development and reward those who meet or exceed their fair share of housing	The "baby-boom" cohort, increasing immigrant population, increasing household size and lower per capita income all affect our housing demand. These changes necessitate variation in housing types offered as well as amenities to serve the changing population. We must create housing supply in order to meet the increasing demand.	\$675 million for local street improvements for local governments that meet their housing needs, affordable multifamily housing and cleanup of vacant sites designated for infill	Not included	Amend both proposals to give priority funding to a city or county that meets or exceeds its fair share of housing under RHNA
Provide sufficient funding for regional growth planning	Regional growth planning is the critical component to provide coordinated plans and programs for long term development. These planning efforts can result in reduced reliance on public sector funds and an enhanced community development landscape	\$725 million for local agency growth planning, capital outlay to governments whose general plans match the regional growth plan (RGP) and environmental mitigation and enhancements consistent with the RGP	Not included	Amend both proposals to add an allocation formula for regional growth planning funds based on the MPO planning allocation formula. Local planning funds be distributed to regions based on the number of cities and counties within the region with priority given to those cities and counties implementing the RGP
Support IntraRegional high-speed rail that generates revenue	An IntraRegional High Speed Rail system would facilitate the development of a regional airport system and connect major activity and multi-modal transportation centers in Southern California. As our airports reach capacity constraints and congestion along major corridors increases, high speed ground	\$1 billion for project specific environmental studies, planning and engineering in five high speed rail corridors	Not included	Amend both proposals to allow a competitive high-speed rail grant program for major high speed ground transportation projects along major corridors in the state or in a region that has high congestion and point-to-point trips. Major high speed ground transportation projects should interconnect

MEMO

	transportation and airport linkages become even more critical.			regional airport systems and provide revenue producing service
Provide priority to Transit Oriented Development (TOD) that includes housing and generates revenue to support transit projects	Transit Oriented Development providing integration of commercial, residential, and recreational land-uses with the transportation system would help increase land use intensities in areas with higher transit services and would maximize the Region's use of the transit system.	\$275 million for "transit village" projects within a 1/4 mile radius, including housing, retail and office centers	Not included	Amend both proposals to provide priority to TOD projects that include housing, further implement the preferred growth strategy for the region, and generate revenue
Provide funding and incentives for environmental mitigation	Environmental mitigation must move simultaneously with transportation improvements in order to ensure the health of our communities	\$100 million for "Green" transportation projects, including landscaping, bike trails, greenbelts, etc...and \$200 million for diesel retrofit on vehicles used in port operation	\$1 billion for environmental mitigation at the ports	Support the Governor's proposal and encourage additional funding for environmental mitigation, including diesel retrofiting.
Promote CEQA streamlining, in accordance with SCAG's CEQA reform policies, to expedite project delivery	The CEQA reform policies established by the Regional Council implement the preferred Regional Growth Strategy, promote housing production and support planning practices	May attach S.B.832, which includes provisions to voluntarily streamline CEQA studies for certain infill development and smart growth projects	Not included	Amend both proposals to include SCAG's CEQA reform policies (as adopted by the Regional Council), including voluntary implementation, ease of housing developments in appropriate and strategic areas, the promotion of regional planning, results that are preferable to current conditions or "no-plan", regional level impact analysis, results in the functional equivalent of a full EIR and limitation to areas identified in the RGP

MEMO

Give priority to projects that meet RTP performance measures	Performance measures quantify goals and provide a way to evaluate progress over time. Performance measures are also used to evaluate projects and ensure that funding works to meet established goals. By maintaining consistent performance measures for transportation funding, we can ensure the goals set out in our regional plans are intact.	No specific performance measures, but supports projects that implement a Regional Growth Plan, use Transit Oriented Development principles and execute other provisions of the bill	Performance measures specified, including cost-effectiveness, substitutability, reduced congestion, improved mobility, land use, safety and geographical balance considerations	Ensure that both proposals establish performance measures for projects that are consistent with the RTP, in order to provide consistent criteria for selection and prioritizing
Support Design-Build and Design-Sequencing procurement procedures to expedite project delivery	The amount of time needed to deliver a project has direct effects on its overall cost. By creating vehicles to make project delivery more efficient, we can realize cost savings and release obligated public funds for use on other projects.	Not included	Promotes Design-Build and Design-Sequencing and gives authority to Public-Private partnerships	Support the Governor's emphasis on Design-Build and Design-Sequencing and amend SB1024 to allow for expedited project delivery
Support initiatives that call for local governments and regions to plan for a 20 year site inventory based on natural increases in population and job growth and that allow neighboring jurisdictions, by agreement, to share responsibilities for increasing the housing supply (RHNA)**	By allowing collaboration and cooperation among local and regional government, a more responsive and comprehensive 20 year inventory can be produced. Further, through responsibility sharing, housing supply can be more effectively increased in areas that can support such supply.	Not included	Not included	Amend proposals to add an alternative approach to RHNA that supports housing planning on a 20 year basis, promotes housing near employment centers and implements the regional growth plan (RGP)
*Adopted priorities are contained in the Regional Transportation Plan and/or the Legislative Program				
**RHNA Settlement Agreement (September 24, 2004)				

Doc # 117823 S.A.